



Directorate of
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Articles

**Mozambique-South Africa: New Impetus to Cahora
Bassa Talks**

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Improving relations between Maputo and Pretoria have led to a preliminary agreement to rehabilitate Mozambique's Cahora Bassa hydroelectric complex, which supplies power to South Africa but has not operated for five years because of damage caused by Mozambique's RENAMO insurgents.

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Brief

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Africa Review []

Articles

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**Mozambique-South Africa:
New Impetus to Cahora Bassa
Talks** []

Mozambique's Cahora Bassa hydroelectric complex, built by the Portuguese in the 1970s to supply power largely to South Africa, has become a key bellwether of relations between Maputo and Pretoria. The complex has not been generating electricity since 1983 because of damage to powerlines by Mozambican National Resistance (RENAMO) insurgents. Portugal--which still owns the facility--Mozambique and South Africa have been discussing rehabilitation schemes since 1984, but an agreement has been thwarted by deep-seated mistrust between Maputo and Pretoria, as well as complex security and financial issues. []

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Generally improving relations between Mozambique and South Africa in recent months have given new impetus to the negotiations. A preliminary agreement reached during trilateral talks last month in Lisbon has been forwarded to each government for formal approval, and the negotiators have expressed optimism that rehabilitation of Cahora Bassa will begin within a year. In our judgment, the preliminary agreement represents a substantial step in establishing closer cooperation between Maputo and Pretoria. Nevertheless, we believe unresolved security issues and Maputo's continued suspicions of South African intentions will slow further progress. []

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The Preliminary Agreement

The pact encompasses financing for the project, a new rate structure, and security. Italy--the largest Western aid donor to Mozambique--and South Africa reportedly will split the estimated \$30 million cost required for the rehabilitation effort, which is to be conducted by a consortium made up of an Italian firm and its South African subsidiary, as well as Hydroelectrica Cahora Bassa (HCB), the company that actually operates the

dam. Work is expected to begin later this year, [] with an estimated completion date 18 months later--in early 1990. []

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The second part of the agreement entails a new rate structure for the electricity that South Africa would purchase from the Portuguese owners of Cahora Bassa.

[] the negotiators agreed on a new rate of approximately 8.8 cents per kilowatt hour, 10 percent of which would be paid to Mozambique. The fixed rate established in 1984 of about 5 cents per kilowatt hour was recognized by the South Africans as insufficient to produce the revenue necessary for Lisbon to alleviate the debt burden it incurred by financing an essentially inoperable hydroelectric facility for five years. [] Inflation also had to be figured into the rate structure, as well as the amount of revenue the Mozambicans would earn. []

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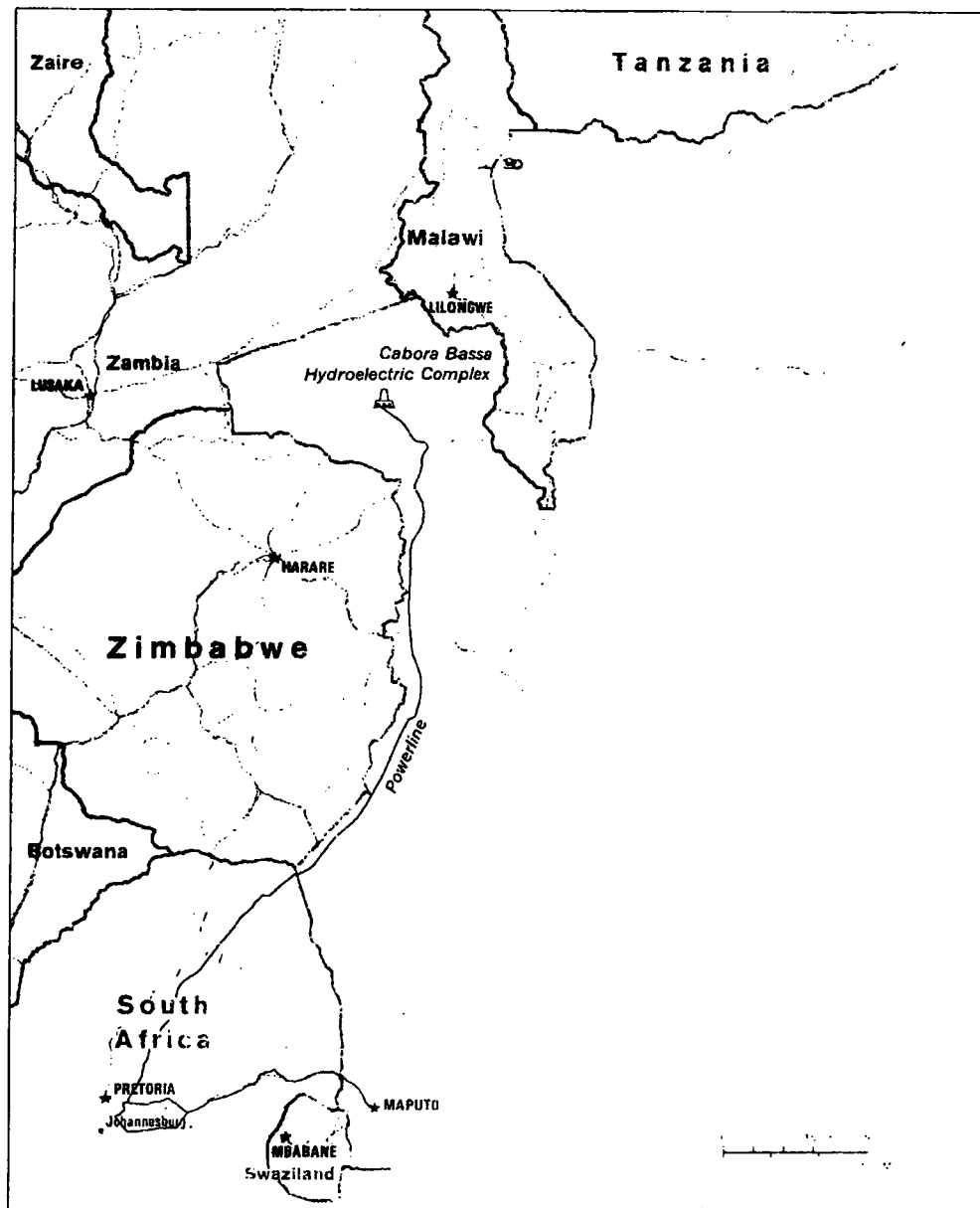
For the South Africans, the proposed rate structure ultimately would make Cahora Bassa a relatively cheap energy source. A study commissioned by Pretoria in 1984 estimated that a \$600 million capital investment in coal-fired plants would be necessary to replace the projected 8 percent of the country's electricity demand that could be supplied by Cahora Bassa. Over the life of the project, the renewable energy source of the Zambezi River--which feeds the Cahora Bassa hydroelectric station--would complete South Africa's energy grid at a lower average cost than if the electricity was purchased from South Africa's existing energy grid, which at present is able to produce surplus electricity for about 5 cents per kilowatt hour. []

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~~Secret~~**Security--the Key to Cahora Bassa's Future**

To make the project work, the security of rehabilitation crews, the power station, and the power lines themselves must be ensured. The agreement calls on the Mozambican military to take full responsibility for the protection of work crews during the rehabilitation phase of the project.

the Mozambicans envision an initial force of 500-700 soldiers, to be expanded to more than 1,000 troops as the work becomes more extensive.

Maputo has reserved the right to request foreign assistance in this task, possibly referring to British ex-military trainers currently training Mozambicans for security details along the Nacala rail line. the South Africans agreed to supply the Mozambican security contingent with over \$5 million-worth of nonlethal equipment. In our judgment, Mozambique's African allies, particularly Zimbabwe, which maintains several thousand troops primarily along the Beira corridor, are not likely to assist Maputo in this task because of the direct benefits Cahora Bassa would provide South Africa.

During the operational stage of the project, the agreement specifies that an undetermined "distributing body" be appointed to guarantee the efficient transport of electricity and the security of the power lines--which stretch nearly 870 miles to a distribution station near Pretoria. Discussion thus far appears to have focused on the concept of a private company "third entity"--possibly Lonrho, a British-owned multinational with major interests in Africa--to serve in this capacity.

the third entity concept was shelved just prior to the Lisbon talks because the renegotiated tariff rate--which at the time stood at about 8 cents per kilowatt hour--did not cover the cost of the protection force envisioned. Negotiations with the prospective "third entity" may be renewed now that a higher rate has

(b)(1) tabulated.
(b)(3) subject is to be reviewed again after the rehabilitation has been completed.

Security arrangements for the rehabilitation effort, as well as for the power lines and pylons over the longer term, are at the root of the military and political considerations surrounding the trilateral agreement. The fundamental issue of how to control the RENAMO insurgents, who in all likelihood would attack the highly vulnerable power lines, is only partly addressed in the agreement--and in our judgment probably will be the main factor thwarting further progress toward a deal. Just two days after the agreement was announced in Lisbon, RENAMO claimed to have destroyed two more power pylons linked to the Cahora Bassa facility, probably to emphasize the vulnerability of the line.

Maputo would view the successful reopening of the Cahora Bassa complex as a key indicator of South African good faith in restraining RENAMO, in our view, but may overestimate Pretoria's ability to control the insurgents. The South Africans reportedly have explored a number of ways to coopt the insurgents into steering clear of the power lines, thus far with little apparent success. Tiny Rowland, Lonrho's chief executive, claims that a South African Government representative--with Maputo's approval--asked him to contact RENAMO in order to discuss the security of the Cahora Bassa transmission lines.

Rowland says he turned down the offer, stating that vandals outside of RENAMO control would pose a threat even if RENAMO pledged not to interfere with the project. For the South Africans, if RENAMO agrees to refrain from attacking the transmission lines, the involvement of a third party would allow Pretoria to deny the charge that it had been controlling the insurgents all along.

Outlook

As the agreement now stands--with the Mozambicans providing security during the rehabilitation phase, and the distributing entity to be determined once power is again available--we believe there is little guarantee that

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the project will survive past its initial stages, assuming that RENAMO has not already been co-opted. Mozambique almost certainly could not by itself muster an amply equipped armed force of sufficient size and skill to protect work crews, even with British ex-military trainers and South African nonlethal supplies at its disposal. In similar protective roles--along portions of the Nacala rail line, for instance--the Mozambican Army has been largely ineffective. [redacted]

The Cahora Bassa talks have been one of the key factors driving the generally improving relations between Maputo and Pretoria in recent months, with the Lisbon agreement representing a potentially significant milestone. Although most of the major economic issues appear to have been resolved, there is no information indicating that the key concern--RENAMO attacks--has

been adequately addressed. Maputo probably remains wary of Pretoria's intentions, and may view further RENAMO attacks on power pylons as an indication of South African insincerity. Because Pretoria's relations with Maputo depend in part on the successful completion of the project, we believe South Africa will be reticent to enter the rehabilitation project without some assurances that RENAMO would not attack the highly vulnerable work crews and powerlines. In our judgment, the thorny security issues will slow further progress, leaving the fate of the Lisbon agreement uncertain. [redacted]

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